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| Agency: | 107 Health Care Authority |
| Decision Package Code/Title: | PL-KB Cost Allocation Update for HBE |
| Budget Period: | 2014 Supplemental Submittal |
| Budget Level: | PL – Policy Level |

Recommendation Summary Text

The Health Care Authority (HCA) requests \$5,617,000 (\$1,603,000 GFS) and 0.9 FTE in the 2013-2015 biennium for the cost allocation to Medicaid and Children’s Health Insurance Program (CHIP) funding for the Washington Health Benefit Exchange (“the Exchange”). The costs allocated to Medicaid for portions of the Exchange that support all Exchange applicants, including Medicaid and CHIP enrollees, qualify for approximately 90% Federal Funding Participation (FFP) for Information Technology (IT) system Design, Development and Implementation (DDI), 75% FFP for system operations, and 75% FFP for customer support center services.

Package Description

This request is required to address additional cost allocation associated with the Exchange to satisfy the Medicaid and CHIP program. Medicaid and CHIP clients will use the automated, streamlined technological process provided by the Exchange for the application and renewal-subsidized healthcare benefits provided under the Affordable Care Act (ACA). The additional costs that will be allocated to HCA include: 1) Information Technology (IT) costs associated with the Exchange Level 2 Establishment Grant; 2) additional customer support call center costs; and 3) a portion of other Exchange operating costs not previously funded. The Medicaid and CHIP portion is derived from a cost allocation that is commensurate with the proportion of Medicaid and CHIP clients using the Exchange to apply for and renew their subsidized healthcare benefits per the ACA.

Health Benefit Exchange IT Solution Establishment Costs

When the Exchange is fully implemented on January 1, 2014, the system will be operational with the first year designated for stabilization and additional system enhancements for functionality that did not fit within the very aggressive, federally mandated schedule. This request is for funding to complete the additional system enhancements as a continuation of the initial Design, Development and Implementation (DDI). The portion of the Exchange attributable to Medicaid and CHIP during the DDI phase is subject to cost allocation with a resulting share of \$1.07 million (\$107,000 GFS). DDI costs can be claimed at 90% Federal Financial Participation (FFP).

Health Benefit Exchange Customer Support Call Center Costs

The 2013/2015 budget request included funding for HCA’s share of the costs to establish a new customer service support call center to respond to inquiries from consumers using the Exchange who apply for Medicaid benefits. The customer service support center was acquired through procurement with the solution shared between the Exchange and HCA. Medicaid clients which must use MAGI methodology to determine their Medicaid eligibility will complete their applications for Medicaid through the Exchange. The Exchange will be using a call center to answer Exchange navigation questions and assist clients in completing the on-line application.

However, the 2013/2015 budget assumptions were based on a less restrictive identity proofing methodology which would require many fewer applicants to contact the HBE Call Center. The Center for Consumer Information and Insurance Oversight (CCIO) recently ruled that the

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Healthplanfinder system cannot be certified without the full implementation of identity proofing as laid out in the final federal guidance provided June 2013. Full implementation of the identity proofing methodology will cause many applications to not process automatically in Healthplanfinder and require instead a call by the applicant to the HBE Call Center. It is anticipated that the dollars required to support the HBE Call Center allocation will increase for HCA. However, estimates of the number of additional calls that will be generated are still being worked out as the final details for the new identity proofing process are developed. HCA will update the request once we have more history.

Health Benefit Exchange Ongoing Operating Costs

The ACA also requires that Medicaid clients have their eligibility determined using the Modified Adjusted Gross Income (MAGI) methodology. This methodology requires states to use, with few exceptions, the federal tax filing rules for determining household composition and countable income. The ACA-required change to the MAGI methodology affects several coverage groups: Medicaid Family, Children and Pregnancy programs as well as newly eligible adult Medicaid clients and those enrolled in health insurance coverage offered through the Health Benefit Exchange.

To help ensure a simple and streamlined health insurance application process for Washington families, MAGI Medicaid programs, including the newly eligible adults, are being integrated into the Exchange. Individuals not eligible for Medicaid will transition seamlessly for eligibility determinations under other insurance affordability programs offered through the Exchange. The Exchange will use a series of data matching to confirm an individual's citizenship, income and eligibility for Medicaid.

In 2014, all MAGI households will have their eligibility correspondence sent from the Exchange. Currently, this correspondence is sent from ACES and the cost of the correspondence is paid from funds appropriated to the Department of Social and Health Services (DSHS). Letters sent from the Exchange could be Medicaid-only correspondence, joint Medicaid/Exchange letters or Exchange only letters. HCA requests \$3.53 million (\$1.12 million GFS) of additional funding to cover the cost of Medicaid correspondence costs that would be cost allocated to HCA.

HCA will also provide document management and imaging services for paper applications and supporting documents that the Exchange receives from customers who are applying for eligibility and enrolling in health plans. To cover the cost of Medicaid-related imaging activity, HCA has developed a cost allocation plan for the imaging system and requests \$794,000 (\$326,000 GFS) funding for setup and operational activities related to the imaging system software maintenance costs.

Finally, this request addresses one new FTE. The FTE is intended to manage the additional budget and finance activities due to complex cost allocation and accounting between the Health Care Authority and the newly formed Health Benefit Exchange organization. The FTE is also intended to support the implementation of the Exchange by coordinating, tracking and reporting planned and actual progress across several Divisions within HCA supporting the Exchange deployment. Disparate

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yet related activities are required including WAC changes, policy and procedural development, staff training, stakeholder management and other activities for the organization to adapt to the new Medicaid paradigm. Anticipated start date is October 1, 2013. Federal match is 90% until Jan 1, 2014 and 50% thereafter.

Questions related to this decision package should be directed to Tom Aldrich at (360) 725-1363 or at Thomas.Aldrich@hca.wa.gov.

Fiscal Detail/Objects of Expenditure

| | FY 2014 | FY 2015 | Total |
|--|---------------------|---------------------|---------------------|
| 1. Operating Expenditures: | | | |
| Fund 001-1 GF-State | \$ 711,000 | \$ 892,000 | \$ 1,603,000 |
| Fund 001-C GF-Federal Medicaid Title XIX | \$ 1,875,000 | \$ 2,139,000 | \$ 4,014,000 |
| Total | \$ 2,586,000 | \$ 3,031,000 | \$ 5,617,000 |
| | FY 2014 | FY 2015 | Total |
| 2. Staffing: | | | |
| Total FTEs | 0.8 | 1.0 | 0.9 |
| | FY 2014 | FY 2015 | Total |
| 3. Objects of Expenditure: | | | |
| A - Salaries And Wages | \$ 62,000 | \$ 82,000 | \$ 144,000 |
| B - Employee Benefits | \$ 18,000 | \$ 23,000 | \$ 41,000 |
| C - Personal Service Contracts | \$ - | \$ - | \$ - |
| E - Goods And Services | \$ 11,000 | \$ 15,000 | \$ 26,000 |
| G - Travel | \$ 1,000 | \$ 1,000 | \$ 2,000 |
| J - Capital Outlays | \$ 8,000 | \$ - | \$ 8,000 |
| N - Grants, Benefits & Client Services | \$ 2,486,000 | \$ 2,910,000 | \$ 5,396,000 |
| Other (specify) - | \$ - | \$ - | \$ - |
| Total | \$ 2,586,000 | \$ 3,031,000 | \$ 5,617,000 |
| | FY 2014 | FY 2015 | Total |
| 4. Revenue: | | | |
| Fund 001-C GF-Federal Medicaid Title XIX | \$ 1,875,000 | \$ 2,139,000 | \$ 4,014,000 |
| Total | \$ 1,875,000 | \$ 2,139,000 | \$ 4,014,000 |

Narrative Justification and Impact Statement

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Under the ACA, Washington State is required to implement MAGI methodology for individuals who are eligible for Family, Children and Pregnancy Medicaid. Implementation of MAGI is mandatory and failure to comply with this ACA regulation could lead to sanctions to Washington’s Medicaid program.

Implementing the MAGI methodology and integrating Medicaid with the Exchange will allow for individuals and families to apply for the health insurance affordability programs by using one streamlined and seamless application process. This will help remove barriers to Washington residents in accessing health coverage.

What specific performance outcomes does the agency expect?

Improving access to affordable health care and promoting improved health outcomes for Washingtonians is a goal shared by the Governor and bi-partisan legislature. This request fulfills that goal by funding the state’s portion of the Exchange attributable to the ratio of Medicaid and CHIP clients. As a shared solution, the Exchange will give individuals and small businesses the ability to apply for and access subsidized and unsubsidized health insurance.

Performance Measure Detail

Activity Inventory

H001 HCA Administration

H005 HCA National Health Reform

H015 HCA Payments to Other Agencies

Is this decision package essential to implement a strategy identified in the agency’s strategic plan?

Yes, this decision package supports the HCA strategic plan by achieving greater access to affordable healthcare and improved healthcare outcomes by un-insured and under-insured Washingtonians. One of HCA’s key metrics is implementation of Health Reform as laid forth in the ACA. This will streamline eligibility for nearly two-thirds of the existing Medicaid caseload by applying the new MAGI methodology and by integrating Medicaid with the Exchange.

Does this decision package provide essential support to one of the Governor’s priorities?

Yes. This decision package supports Governor Inslee’s Results Washington Goal 4: Healthy and Safe Communities. The implementation of Health Reform will help ensure that all individuals in Washington have access to affordable health care.

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Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government (POG) process?

Yes. This decision package supports Governor Inslee’s Results Washington Goal 4: Healthy and Safe Communities. The implementation of Health Reform will help ensure that all individuals in Washington have access to affordable health care.

What are the other important connections or impacts related to this proposal?

This implementation of MAGI methodology for Family, Children and Pregnancy caseload is a mandatory requirement for states under the ACA. Stakeholders including the hospital association, legal service community, migrant and rural health organization and community based organization are in support of the HCA moving forward to implement the MAGI methodology.

Client advocacy groups, insurance carriers, the Department of Social and Health Services and the Office of Insurance Commissioner are all stakeholders interested in the successful outcome of the Exchange.

What alternatives were explored by the agency, and why was this alternative chosen?

In response to the ACA, the State of Washington, with support from bi-partisan legislation in the previous two (2) years, has elected to develop a state-based exchange (as an alternative to a Federally Facilitated Exchange (FFE)). This decision package is required to address federal cost allocation rules where the benefiting programs (including Medicaid and CHIP) must participate in development of the Exchange. The benefiting programs qualify for roughly 90% FFP for IT system design, development and implementation, 75% FFP for IT system operations and 75% FFP for customer support call center services with this decision package acquiring the state’s portion.

What are the consequences of not funding this package?

If this request is not funded, the Exchange Level 2 Establishment Grant funding of \$128 million will be in jeopardy as the state would not meet its obligations for the Medicaid and CHIP portion of the Exchange costs. Without this grant federal funding, a state based Exchange solution would not be possible and the solution being developed at the federal level would need to be adopted which also requires an investment to build the Medicaid front end and reporting back-end.

HCA would be out of compliance with federal regulations and could face possible sanctions for not implementing the new MAGI methodology for existing Medicaid cases. HCA could also face potential legal challenges from the community for failure to implement regulations meant to streamline Medicaid eligibility for families.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

Several policies related to Medicaid optional programs and other miscellaneous statutes are required as a result of the implementation of the ACA. HCA does not believe that there are any

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statutory changes required to implement MAGI methodology. HCA will need to amend, repeal or draft approximately 100 WACS to support MAGI methodology and other ACA related changes.

Expenditure and Revenue Calculations and Assumptions.

Revenue Calculations and Assumptions:

HCA assumes federal grant funding will be available for design, development, and implementation activities. HCA assumes that the Exchange will use the Cost Allocation methodology that was developed by a joint HCA-Exchange workgroup to allocate costs to HCA during the pre- and post-implementation phases of the Exchange. HCA assumes the cost allocation methodology will be approved by the Centers for Medicaid S (CMS) and that federal funding will be available for operational activities.

Expenditure Calculations and Assumptions:

HCA assumes that the Exchange will use the Cost Allocation methodology that was developed by a joint HCA-Exchange workgroup to allocate costs to HCA during the pre- and post-implementation phases of the Exchange. HCA assumes that the design, development, and implementation costs estimated in the grant application will be the actual costs that the Exchange will incur. HCA assumes that the estimate the Exchange has provided for the Call Center costs will be the actual cost for the Call Center once it is operational and that the actual enrollment in the various Exchange and Medicaid enrollment categories will be in-line with the enrollment projections used to allocate the costs in this funding request.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

Distinction between one-time and ongoing costs:

Expenditures related to cost allocation for developing the Exchange as part of the Level 2 Grant and as part of Medicaid Expansion are one-time costs; whereas cost allocation related to operations of the Exchange and the FTE are on-going. Costs for design, development, and implementation of the Exchange should be considered one-time. Operational costs, beginning in October 2014, should be considered ongoing. The breakdown of one-time vs. ongoing costs is as follows:

| One-Time vs Ongoing Costs | | | |
|----------------------------------|--------------|--------------|--------------|
| One-Time | | FY 14 | FY15 |
| | State | \$ 53,500 | \$ 53,500 |
| | Fed | \$ 481,500 | \$ 481,500 |
| | <i>Total</i> | \$ 535,000 | \$ 535,000 |
| Ongoing | | | |
| | State | \$ 657,500 | \$ 838,500 |
| | Fed | \$ 1,393,500 | \$ 1,657,500 |
| | <i>Total</i> | \$ 2,051,000 | \$ 2,496,000 |
| Total | | | |
| | State | \$ 711,000 | \$ 892,000 |
| | Fed | \$ 1,875,000 | \$ 2,139,000 |
| | <i>Total</i> | \$ 2,586,000 | \$ 3,031,000 |

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Budget impacts in future biennia:

Operational costs included in this request will impact future biennia. Enrollment growth and inflation will affect the total costs of operating the Exchange and the portion of the total costs that are allocated to Medicaid.

Fiscal Model

| | FY 14 | FY15 | TOTAL |
|---|--------------|--------------|--------------|
| Health Plan Finder Priority Change Request (90/10) | | | |
| State | \$ 53,500 | \$ 53,500 | \$ 107,000 |
| Federal | \$ 481,500 | \$ 481,500 | \$ 963,000 |
| <i>Total</i> | \$ 535,000 | \$ 535,000 | \$ 1,070,000 |
| HBE Print Services (75/25) | | | |
| State | \$ 275,250 | \$ 367,000 | \$ 642,250 |
| Federal | \$ 825,750 | \$ 1,101,000 | \$ 1,926,750 |
| <i>Total</i> | \$ 1,101,000 | \$ 1,468,000 | \$ 2,568,999 |
| HBE- Postage (50/50) | | | |
| State | \$ 206,438 | \$ 275,250 | \$ 481,688 |
| Federal | \$ 206,438 | \$ 275,250 | \$ 481,688 |
| <i>Total</i> | \$ 412,875 | \$ 550,500 | \$ 963,375 |
| Imaging (various) | | | |
| State | \$ 165,943 | \$ 160,421 | \$ 326,364 |
| Federal | \$ 271,030 | \$ 196,644 | \$ 467,674 |
| <i>Total</i> | \$ 436,973 | \$ 357,066 | \$ 794,038 |
| Staff | | | |
| State | \$ 10,000 | \$ 36,300 | \$ 46,300 |
| Federal | \$ 90,000 | \$ 84,700 | \$ 174,700 |
| <i>Total</i> | \$ 100,000 | \$ 121,000 | \$ 221,000 |
| Total | | | |
| State | \$ 711,000 | \$ 892,000 | \$ 1,604,000 |
| Federal | \$ 1,875,000 | \$ 2,139,000 | \$ 4,014,000 |
| <i>Total</i> | \$ 2,586,000 | \$ 3,031,000 | \$ 5,617,000 |

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